

**THE ORGANIZATIONAL EFFECT OF LAYOFFS ON
THE HAMPTON FIRE DEPARTMENT**

EXECUTIVE LEADERSHIP

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Abstract

The Town of Hampton Fire Department had experienced its first layoff of fire personnel since it had been organized in 1907. The problem was that Hampton Fire Rescue had observed a decrease in morale and productivity since the layoff of department personnel in April 2005. The purpose of this research was to determine if the decrease in morale and productivity was related to the layoff of department personnel, what other effects occurred due to the layoffs, and what could be done to lessen these effects.

Through descriptive research, the following questions were answered:

1. What are the effects on employees as a result of personnel layoffs?
2. What organizational effects occur as a result of personnel layoffs?
3. What steps can be implemented to minimize the effects of personnel layoffs?
4. What are the long-term implications of layoffs for an organization?

The procedures included an extensive literature review and distribution of a questionnaire to gather information from firefighters, officers, and department administrators about their experiences and preparedness to deal with the effect layoffs had on their organization. The results of the questionnaire supported the findings of the literature review. It was found that many organizations frequently experienced decreased morale and productivity from personnel layoffs. Without full understanding of the potential outcome, many organizations' attempt to implement layoffs often ended with disastrous results.

Recommendations included selection of alternate methods of reducing costs, management behaviors to minimize layoff effects on remaining employees, and development of an employment transition program.

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Introduction

The layoff of fire department personnel has become a growing concern for many in the American Fire Service. While the direct effects can be seen in neighboring states, New Hampshire has been relatively immune to this phenomenon. This is likely a result of the limited number of New Hampshire Fire Departments employing career firefighters. According to the National Fire Protection Association (NFPA) “Most fire departments are volunteer fire departments, but career firefighters account for a much larger share of the population protected” (Hall & Karter, 2004, p. 3). In fact only 10.7% of the fire service in New Hampshire are career or mostly career departments. In their report *A Needs Assessment of the Fire Service: New Hampshire*, the NFPA estimates that “New Hampshire’s need for career firefighters translates into a 17-26% increase for communities of 10,000 or more of population” (Hall & Karter, 2004, p. 5).

Parker found that “Even though the United States is enjoying one of the strongest economies since the 50’s, there are still no shortages of new challenges that can affect fire service employment” (Parker, 2000, p. 83). Some of these new realities include local events and politics, tax limitations, improved technologies, and private competition. Faced with shrinking sources of revenue and municipal departments competing for their share of funds, many communities have turned to reducing expenses through layoffs.

Parker (2000) remarks that the lack of experience some fire service organizations have with layoffs can greatly affect the impact. A sudden job loss can be a potentially life changing event for most employees. He continues by noting that job loss is ranked as the third leading cause of stress in life second only to loss of a spouse or other family member. Parker adds, “Without the necessary tools to help manage the effects of job loss,

many firefighters and their departments are simply not prepared to handle the stress of unemployment” (Parker, 2000, p. 83).

While many hope to realize some cost savings from layoffs, Reh (2005) concludes that an organization must consider the less obvious effects of layoffs. It is likely that layoffs may result in the reduced quality of the organization’s workforce. This presents a potentially damaging condition with devastating consequences for both the employees and the organization.

Hampton Fire Rescue now recognizes the significant impact layoff of department personnel can impart upon an organization. The problem is that Hampton Fire Rescue has observed a decrease in morale and productivity since the layoff of department personnel in April 2005. The purpose of this research is to determine if the decrease in morale and productivity is related to layoff of department personnel, what other effects occur due to layoffs and what can be done to lessen these effects. This is a descriptive research project. The research questions are:

1. What are the effects on employees as a result of personnel layoffs?
2. What organizational effects occur as a result of personnel layoffs?
3. What steps can be implemented to minimize the effects of personnel layoffs?
4. What are the long-term implications of layoffs for an organization?

Background and Significance

Hampton Fire Rescue had been frequently challenged to secure approval for fire department projects. In the past, the department had been able to marginally manage its budget, made little or no progress, and was able to maintain the status quo for a number of years. About five years ago the department experienced a complete change of

administration. Soon afterwards the department began promoting new programs and achieving many successes including replacement of several aging pieces of fire apparatus; purchase of new tools, equipment, and personal protective equipment; creation of new policies and procedures to increase efficiency; and increased participation in departmental training. Partnerships were formed between labor and management and future planning was embraced. One of its most significant accomplishments was addition of personnel in 2002. This was the first increase in nearly twenty years despite a 20% increase in population and a 51% increase in service requests. These advances would prove to be short lived.

The failure occurred because the administration did not recognize the possibility of a changing political landscape and rationalized its decisions based upon this belief. While the department was providing greater service to the community, it was not prepared for the change in elected officials nor the political agenda they brought with them. With a default budget for the second consecutive year these officials removed money from the fire department budget justifying it by saying “why do we need to have the best”. The fire department budget was severely affected; apparatus was removed from service, firefighters were laid off, and administrative staff was reduced as well.

Presently, Hampton Fire Rescue is still struggling with the impact on fire and emergency medical services due to the elimination of four firefighter/EMT positions, the Deputy Chief of Operations, the part-time Fire Prevention Secretary, and the retirement of seven veteran members. Combined with a continued increase in call volume, there have been fire and emergency medical service units continually out of service, a substantial imbalance in mutual aid responses, a shortage of management project time, and insufficient fire prevention inspections.

This applied research project will examine the personal and organizational effect layoffs have had on Hampton Fire Rescue. Additionally, this research will identify the critical components necessary to minimize or eliminate completely through alternate actions the effects of layoffs. The results of this research will be used to support recommendations when future layoffs are considered and for the development of an employment transition program. The future impact to Hampton Fire Rescue will be a reduced potential for disruption of department operations resulting from decreases in employee morale and productivity.

This applied research project directly relates to the Executive Fire Officer's role to manage resources. The "Developing Self as a Leader" unit taught in the Executive Leadership Course at the National Fire Academy (NFA) Executive Fire Officer Program (EFOP) states, "Resources require legislative approval. There may be uncertainty from year to year which complicates planning and implementation" (NFA, 2000, p. SM 2-3). The Executive Fire Officer must continually monitor the political landscape. Each new political power may have its own agenda not congruent with that of the fire department. This applied research project relates to the United States Fire Administration Operational Objective "To respond appropriately in a timely manner to emerging issues" (United States Fire Administration, 2004).

Literature Review

The fire service is one of the few occupations in which employees develop a strong commitment and bond to each other, the organization, and the community in which they work. Few others display the same sense of pride and duty both at work and in their personal lives. For most firefighters, the fire service provides more than just a

source of income. It also provides them with a sense of accomplishment and need. When a reduction in personnel occurs through layoffs it is likely to have a devastating effect. While the purpose of this research is to determine what the personal and organization effect of layoffs are in Hampton, much can be learned from the experiences other groups have had with this approach to personnel reductions.

To begin, what are the effects on employees as a result of personnel layoffs? Two groups of employees must be considered; those directly affected who are faced with sudden job loss and those remaining who may be indirectly influenced by collateral consequences.

According to Tang and Fuller (1984) employees experience decreases in organizational loyalty, job satisfaction, and performance after a layoff. Additionally, terminated employees were more likely to suffer from depression, anxiety, and stress. Incidence of divorce, negative effects on health and children's well being were also significantly more likely (Butcher & Hallock, 2004). Fogarty indicated that "layoffs always hurt morale" (Fogarty, 2000, p. 48) and morale affects productivity (Matthews, 2002). Parker added that feelings of anger and frustration were often present. Employees lost faith and trust in the leadership becoming cynical about even well-intentioned efforts to improve the organization (Parker, 2000).

When close relationships were developed between employees the loss was particularly traumatic for those remaining. Brockner concluded, "survivors who were close to those laid off felt the layoff was more unfair, worked less hard, and became less committed to the organization" (Brockner, 1992, p. 14).

Growing concern among remaining employees about further layoffs often resulted in decreased performance as they were frequently preoccupied with how it may affect their own security (Jennings, 2003). This fear often caused employees to seek other employment before additional layoffs could occur. “Survivors believe that if additional layoffs were to occur, there would be little they could do to counteract the negative effects of job loss” (Brockner, 1992, p. 15). Performance and qualifications were no longer a guarantee for remaining employees further reinforcing the destabilization (Articulate Management, 1996). In contrast, Thomson (1997) found that the stability of job loss would affect the employee’s ability to succeed if offered employment in their previous position. Unstable causes were more likely to be viewed as transient and therefore less likely to impart a chronic effect on the individual.

Butcher and Hallock found that the longer employees were in their positions the greater the “specific human capital” (Butcher & Hallock, 2004, p. 2) loss. Relationships developed over time were lost, as were the advances in compensation for longevity. Many displaced workers were unable to recover the losses of starting at the bottom again.

The effect on managers was somewhat varied (Grunberg, Moore, & Greenberg, 2003). Front-line managers were often confronted with a sense of divided loyalty as they implemented decisions regarding layoffs that generated conflict between their responsibility to the organization and their subordinates. Generally, greater involvement and access to information for these managers lessened the effect and they remained more committed to the organization.

In summary, the quantity of information previously written about this subject clearly indicates that layoffs have a considerably negative impact on both the employees

laid off and those that remain. The literature review significantly influenced this research by demonstrating the relevance of this issue to Hampton Fire Rescue's employees.

Next, what organizational effects occur as a result of personnel layoffs? Parker begins, "when a layoff hits the department, it's not one of those daily personnel behavioral challenges we've learned to expect.... Because a layoff is considered a life-changing event, chief officers should not underestimate the impact it may have on the entire department" (Parker, 2000, p. 84). According to Fogarty (2000), layoffs may also drive off employees who are concerned with their own security leaving the organization struggling to find replacements. This increased employee turnover secondary to layoffs can leave an organization having lost considerable experience and institutional memory (Baugh & Soo Hoo, 2002). Even when service demand has returned, an organization may find itself laboring to recruit and train new employees to fill the positions it had previously eliminated (Jennings, 2003).

While organizations need a workforce that is dedicated and committed, layoffs typically result in erosion of loyalty (Grunberg, Moore, & Greenberg, 2003). The demoralization and destabilization of employees lead to decreased productivity and sloppy or negligent performance. Ultimately the savings an organization hoped to realize through the layoff are reduced by this change in employee behavior (Articulate Management, 1996). In contrast to a reduction in productivity, Brockner (1992) and Brockner, et al. (2004) found that in some cases a small amount of job insecurity generated an increase in organizational commitment.

Matthews (2002) suggests that layoffs may actually cost more than they save. Layoff costs can approach 50% of the employees' salary and benefits for each week the

position is unfilled and as much as 100% in some cases if the position is never filled. Additionally, managers and administrative staff lose considerable time processing out laid-off employees, redistributing the workload, and dealing with related issues.

According to Brockner (1992) layoffs increase the probability of employees filing wrongful discharge suits. Baugh and Soo Hoo (2002) agree, “breach of contract, retaliation, and violation of policies or procedures are also typical claims” (Baugh & Soo Hoo, 2002, p. 10). This resulting litigation is often damaging to an organization’s reputation and can generate significant negative publicity.

In summary, the above information indicates that the effect of layoffs on an organization can be equally as destructive. This information will be beneficial in the selection of sensible and reliable methods to minimize the effect of layoffs.

Third, what steps can be implemented to minimize the effects of personnel layoffs? According to Brockner (1992) a strong corporate strategy should determine the most appropriate method to reach the desired endpoint. Layoffs, as seen as a means to an end, are therefore considered a logical option when faced with budget deficits. Layoffs, however, are not always the best choice for cost savings. Organizations would be well advised to consider such methods as attrition, hiring or wage freezes, and early retirement. Baugh and Soo Hoo (2002) add reduction of non-salary expenditures, restructuring or redesigning operations, restricting overtime, and voluntary and mandatory transfers or downgrades as alternatives to layoffs. Tang and Fuller (1984) concluded that if layoffs were selected as the means to reduce costs, then managers had to understand the effect on employees if they were to minimize them. Handled inappropriately, management decisions would likely result in negative perceptions by

employees. They suggest “(1) treating employees fairly, (2) communicating to employees clearly and politely and (3) carrying out personnel cuts ethically” (Tang & Fuller, 1984, p. 13).

Stebbins (1992) described several programs to lessen the financial effect of layoffs on employees. The Consolidated Omnibus Budget Reconciliation Act provides the option of continued health care benefits to laid-off employees. Terminated employees may continue their health insurance for up to 36 months at a maximum cost of 102%. Employees should also consider alternative plans such as individual policies that may be less expensive. Distribution of pension fund options should be explained to employees as well. While it is often advised to leave their money in the existing plan, employees may elect to take a distribution from the plan or roll it into another individual pension plan.

Employers may provide a severance package to laid-off employees. Stebbins (1992) recommends careful consideration of how to take the severance pay. While it may be tempting to take the pay in one lump sum, the tax implications may make it more desirable to spread the payments out. While Baugh and Soo Hoo (2002) also found these to be commonly offered in separation packages, they suggested other less common services that may be beneficial in reducing the stress of a layoff. They add outplacement services to assist displaced workers in finding new employment, continued access to employee assistance programs, and education or job training. This training may be available through entities like local community colleges (Butcher & Hallock, 2004).

Articulate Management (1996) advocates increasing training budgets following a workforce reduction. The training promotes positive behaviors among employees who feel that the organization values them enough to invest in them largely reducing the

demoralization felt by layoffs. Additionally, they found training to increase efficiency and effectiveness resulting in an increase in productivity.

Lastly, organizations must be prepared to manage the reactions of remaining employees. According to Grunberg, Moore, and Greenberg, “Employees appear to be particularly attentive to the attitude of their supervisors for cues about how to interpret major events such as layoffs” (Grunberg, Moore, & Greenberg, 2003, p. 4). After a layoff it is essential for management to provide strong leadership. Remaining employees need to understand how the overall direction of the organization may have changed, how they fit in, and what is expected from them (Reh, 2005). Parker (2000) and Boyle (2001) concluded communication with employees on a regular basis could also alleviate much stress. Remaining employees are likely to have many questions and frequently may offer suggestions to alleviate some problems. Regular informational briefings can also limit rumors; some news is better than no news. Others may just need to know management still cares about them.

In summary, it has been written that the methods to minimize the effects of layoffs are numerous. The literature review significantly affected this research by providing the impetus for the development of an employment transition program.

Finally, what are the long-term implications of layoffs for an organization? While most studies have been focused on the immediate effect of layoffs, very little attention has been placed on the long-term effects (Butcher & Hallock, 2004). Generally, when an organization considers layoffs, they are looking for immediate cost savings. What is often overlooked is the impact changing employee attitudes may have on productivity and ultimately how well the organization can perform and remain competitive over time

(Tang & Fuller, 1984). Organizations must evaluate both the short-term and long-term costs when determining if layoffs are the right action to take. According to Matthews, “In the near term, owners will incur the costs of severance and benefits continuance.... And in the long run, the cost savings pale in comparison to what owners will spend on staffing once their businesses ramp up again” (Matthews, 2002, ¶ 2). If an organization must rehire employees within a short period of time, long-term savings are rarely seen. If laid-off workers collect unemployment, the organization’s tax rate is often increased over the next few years to regain what had been paid out.

Grunberg, Moore, and Greenberg (2003) found that layoffs frequently result in an increased employee turnover. This was particularly evident among managers who were trying to escape the stress and discomfort following layoffs. Ultimately this loss of experienced employees results in decreased institutional knowledge. Matthews (2002) adds it may take years to regain these losses as the organization recruits and orients replacements, some which may be supervisors or managers. In their article, *If You Must Lay Off Workers, Consider the Long-Term Effects*, the group HR Focus found layoffs to significantly affect an organization’s ability to attract employees in the future (News Briefs, 2002). In contrast, Feldman, Leana, and Bolino (2002) found displaced workers to commonly be re-employed in jobs requiring less education and experience than they possess. These individuals often displayed lower commitment to their new employers distancing themselves and lowering their contributions to their organizations. Ultimately these new employers would endure the consequences of another organization’s layoff. A similar finding was experienced among those individuals that found work in another community. The increased amount of family stress caused by a spouse’s loss of income,

social effects of relocating, and displacement of children such as choosing a new school and making new friends also were contributing long-term factors affecting employee behaviors and performance at their new jobs (Mawhiney & Lewis, 1997).

Jennings concludes, “No culture, certainly not one based on productivity, can exist in an enterprise where people fear for their jobs and are engaged in a constant game of looking over their shoulders” (Jennings, 2003, p. 51).

Procedures

Definition of Terms

Convenience sampling - “this nonprobability [*sic*] method is often used during preliminary research efforts to get a gross estimate of the results, without incurring the cost or time required to select a random sample” (StatPac, 2006, ¶ 8).

National Fire Protection Association (NFPA) - “a non-profit membership organization with a mission similar to the fire service that is to reduce the burden of fire and other hazards on the quality of life through the development of codes and standards, research, and education” (Sturtevant, 2003, p. 257).

PivotTable - “an interactive table that automatically extracts, organizes, and summarizes your data. You can use this report to analyze the data, make comparisons, detect patterns and relationships, and discover trends.” (Microsoft Corporation, 2004).

Snowball sampling - “is a special nonprobability [*sic*] method used when the desired sample characteristic is rare. It may be extremely difficult or cost prohibitive to locate respondents in these situations. Snowball sampling relies on referrals from initial subjects to generate additional subjects” (StatPac, 2006, ¶ 11).

Research Methodology

The method used was descriptive research. The methodology included extensive review of books, reports, journals, articles, and electronic sources to determine what had been previously written about the personal and organization effects of layoffs. To ensure that a comprehensive selection of sources was available, a literature search of various academic databases was conducted using the keywords: firefighter, layoff, personnel, and reduction. A significant number of sources containing the keywords listed were available, however, only those abstracts that appeared appropriate to the intent of this research project were selected (Silver, 2004). The Lane Memorial Library in Hampton, New Hampshire provided assistance in the acquisition of several journal articles used in the literature review.

Hank Lipe, Fire Chief, Hampton Fire Rescue, was consulted in December 2005 for information regarding the fire department's experience operating with limited funding and reduced staffing. Lipe provided initial contact information for many of the fire departments surveyed in this research from an electronic mail list of Executive Fire Officer Program graduates.

David Lang, President, Professional Firefighters of New Hampshire, was interviewed in January 2006 for information regarding the layoff of firefighters from other career fire departments in New Hampshire. The Professional Firefighters of New Hampshire represents firefighters from nearly every career fire department in the State and is frequently consulted on labor issues.

A questionnaire was developed based on a design used by Silver (2004) to collect information for a previous research project. The questionnaire titled "Personal and

Organizational Effect of Layoffs Survey” (Appendix A) was created following the recent observations of Hampton firefighters and used to gather information from other firefighters and officers about their experiences with fire department personnel layoffs. A web-based tool, VT Survey – Version 2.2.2 developed by Virginia Tech, was used to administer the questionnaire. This software provides an easily accessible and expedient means of providing feedback from respondents of a sample group. The online survey was loaded on the Town of Hampton computer server and available for input beginning on January 5, 2006. As in the previous research project (Silver, 2004), respondents were provided with a web-site address to an online instruction page. The instruction page (Appendix B) provided information about how to answer the questions, how the information would be used, and how they could request the results of the survey questions. From the instruction page the respondent could follow a link to the questionnaire. Once the answers were entered, the information was automatically added to a database (Silver, 2004).

Lori Murphy, Director of Human Resources at Foss Manufacturing in Hampton, New Hampshire was consulted in January 2006 and requested to validate the appropriateness and flow of the questionnaire. Murphy has considerable experience conducting the layoff of personnel at Foss, one of Hampton’s largest employers.

A request to complete the questionnaire was distributed via electronic mail to a convenience sample of fire service personnel identified through initial personal interviews. The subjects of the convenience sample were instructed to forward the request to other fire service personnel who had experienced layoffs in their department. The survey was closed when 50 responses were received. The NFA (1998) provides a

method to determine the confidence level of a survey sample group. While it may be important to identify a group statistically as being a reliable sample of the population, it does not affect the importance of the information collected or how it may be used.

Statistical Analysis

Descriptive statistics were used to present the quantitative data generated from the questionnaire in a manageable form. As in previous research projects (Silver, 2004) data was entered into a Microsoft Excel spreadsheet and a Microsoft Excel PivotTable report was used to compare information from the questionnaire. Percentages for all responses are reported.

Limitations and Assumptions

First, it is assumed that the respondents had actual experience with layoffs in their organization. Since the questionnaires were not distributed to a random sample and the response total is relatively small, it is possible for a significant bias to exist. A snowball sampling may have been used more effectively to establish the sample population. A random sample of a known number could then have been selected to complete the survey. A larger sample group or greater response may have also provided different results.

Finally, the literature review was limited by a lack of information specifically addressing the long-term effects of personnel layoffs. Much of the available research ended when affected personnel were re-employed.

Results

Use of a questionnaire and extensive literature review provided answers to the questions identified in this research paper. The results of the questionnaire are presented first.

Respondents were first asked if they had ever been employed by an organization that conducted a layoff of employees. There were thirty-six (72 %) who indicated they had and fourteen (28%) that had not. Those respondents that answered they had not ever been employed by an organization conducting layoffs were instructed not to continue with the survey. The responses to the remaining questions of the survey are reported for the thirty-six (100%) having experienced a layoff. The respondents were then asked what position they held at the time of the layoff. Eight (22 %) indicated they were a manager such as a chief officer, eight (22%) indicated they were supervisors such as company officers, nineteen (53%) were employees such as firefighters, and one (3 %) provided no answer.

The respondents were asked if the reasons for the layoff had been adequately explained. Twenty (56 %) indicated they had and sixteen (44 %) responded in the negative. Fourteen (39%) indicated layoffs were conducted consistent with their department's values while twenty-two (61%) felt they were not. Twenty-nine (81%) responded that employees to be laid off were selected based on seniority, five (14%) were by job function, one (3%) indicated the laid off employees were selected solely by the Fire Chief, and one (3%) responded the decision was based on civil service law. No respondents indicated employees to be laid off were selected based upon job performance. To identify the respondents perception of how the layoff was implemented the question do you feel the layoffs were conducted fairly was asked. Twenty-six (72%) felt they were, nine (25%) felt the layoffs were not conducted fairly, and one (3%) did not answer.

Respondents were asked if other positions were made available to laid off employees. Twenty-four (67%) signified there were no positions available. Five (14%) indicated positions were available within the same department, five (14%) indicated positions were offered within another department in the same city, and two (6%) responded that positions were made available within another non-local department. Fourteen (39%) respondents felt their organizational leadership was responsible for causing the layoff and twenty-two (61%) indicated the leadership was not to blame.

The next two questions asked the respondent to comment on how satisfied they were being employed with the current organization. Before the layoffs, twenty-six (72%) were very satisfied, nine (25%) were somewhat satisfied, and one (3%) was not very satisfied with their job. After the layoffs, only four (11%) were very satisfied with their job, sixteen (44%) were somewhat satisfied, and sixteen (44%) were not very satisfied with their job. Of the thirty-six completing the survey, ten (28%) indicated they were the one laid off. Among the twenty-six remaining, seventeen (47%) had considered seeking employment with another organization, eight (22%) had not, and one (3%) did not answer.

To estimate the potential impact of layoffs on recruitment and retention of employees, the next two questions were asked. With regard to turnover of department personnel three (8%) reported a decrease following the layoff, sixteen (44%) indicated it remained unchanged, while a greater number, seventeen (47%), responded that turnover of personnel increased. Respondents were also asked if they would recommend employment with their organization to others. Prior to the layoffs nearly all, thirty-five (97%), responded in the affirmative with one (3%) not answering. After the layoffs,

fourteen (39%) would continue to recommend employment with their organization, with twenty-one (58%) not recommending employment, and one (3%) not answering.

To determine the impact of layoffs on the remaining employees the next three questions were asked. Respondents were asked to describe the organizational commitment of employees. Preceding the layoffs, twenty (56%) indicated a high level of employee commitment, twelve (33%) felt employees were somewhat committed, and four (11%) thought employees were not very committed to the organization. Following the layoffs, only six (17%) respondents considered employees to be very committed to the organization. Sixteen (44%) described employees as being somewhat committed and fourteen (39%) believed they were not very committed. Respondents were then asked to describe the effect on employee morale after the layoff. Twenty-nine (81%) considered morale to have worsened after the layoff, five (14%) thought it remained unchanged, and one (3%) believed morale to have improved. Respondents were also asked to describe employee productivity and participation after the layoffs. Ten (28%) felt it remained unchanged while a greater number, twenty-six (72%) believed productivity and participation decreased.

Respondents were asked to describe how the layoff affected them personally. Regarding how layoffs affected the respondent financially, twenty-one (58%) indicated they remained stable, thirteen (36%) felt layoffs hurt them financially, and two (6%) did not answer. Two (6%) believed their family relationships improved, twenty-six (72%) had no change, six (17%) thought their family relationships worsened, and two (6%) did not answer. Concerning their relationship with co-workers, one (3%) saw an improvement, seventeen (47%) indicated their relationships remained stable, seventeen

(47%) believed that co-worker relationships worsened, and one (3%) did not answer. In connection with their well being, seventeen (47%) experienced a worsening while a slightly higher number, eighteen (50%) indicated it remained stable. One (3%) did not provide an answer.

Respondents were asked to describe any efforts taken by their organization to lessen the impact of the layoff and to describe any long-term effects they had observed. Their comments can be found in Appendix C. Identifying information has been removed, otherwise the comments are unedited.

When asked if they had returned to work, twenty (56%) responded they had not been laid off and two (6%) have not returned to work. Eight (22%) returned to the same position they had prior to the layoff, one (3%) had returned to a different position in the same organization, four (11%) returned to a different position with a different organization, and one (3%) did not answer. Finally, the question would you return to your organization if a position were offered was asked. The question did not apply to twenty (56%) of the respondents, they had not been laid off. Six (17%) responded no, seven (19%) indicated they would return to the same position held prior to the layoff, one (3%) would return to any position, and two (6%) did not answer.

Literature review also provided answers to the research questions. Layoffs proved to have significant negative effects on both employees and the organizations experiencing the layoff. The stress of sudden job loss affected both the employee being laid off and those remaining. Many employees experienced depression and anxiety often accompanied by physical ailments as well. These effects frequently extended to the employee's family and later affected their performance upon return to work.

Additionally, loss of trust in the leadership and feelings of decreased value to the organization left many remaining workers wondering if they would be next. In some cases, employees began seeking new employment even though their position was not in immediate danger of being eliminated.

Decreased organizational loyalty, job satisfaction, and performance had the greatest impact on the organizations affected by layoffs. Those remaining experienced a decrease in morale leaving many working only as much as needed to get by. Many organizations also experienced increased employee turnover. This loss of trained, senior staff resulted in considerable loss of experience and institutional knowledge. Ultimately what an organization had hoped to save by reducing personnel was exhausted in money and time spent recruiting and training replacements later on. Research also discovered that if handled improperly, layoffs increased litigation as employees filed wrongful discharge suits. Beyond the high cost of combating these claims, litigation repeatedly generated significant negative publicity damaging an organization's reputation.

The literature also identified steps to minimize the effects of personnel layoffs. It was recommended that layoffs be avoided if possible. Other means of reducing costs such as reducing personnel through attrition, hiring freezes, and offering early retirement among others were suggested as alternatives. When an organization chose layoffs as a means to reduce costs, the outcome was commonly negative if not implemented appropriately. Research suggested that management selected personnel to be cut ethically, communicated clearly, and treated them fairly and consistently. It was critically important for management to demonstrate a strong leadership presence and communicate frequent and accurate information to remaining employees to alleviate any stress they

may encounter as a result of the layoff. Additionally, the literature review suggested several assistance programs to minimize the effect on the laid off employees.

Discussion

In the current economy, many fire service organizations are confronted with reducing costs while maintaining services and productivity. Often compared with the business community it is advantageous to examine the methods used by private organizations to manage their budgets. Generally these methods prove successful; at other times they are not. Occasionally the failure occurs when an organization attempts to implement a method it does not fully understand or are not aware of the potential consequences when handled inappropriately. The results of the questionnaire used in this research project reinforced the information found in the literature review and confirmed the observations Hampton Fire Rescue made following its use of personnel layoffs in response to a default budget.

To provide suggestions and recommendations to minimize the consequences of layoffs, the effects had to be clearly identified. Hampton firefighters appeared to have experienced a significant decrease in morale and productivity following the layoffs. This was consistent with the findings of Fogarty (2000) and Matthews (2002) earlier research establishing the relationship between layoffs, morale, and productivity. The results of the questionnaire also confirmed this observation. Twenty-six (72%) of the respondents indicated productivity and participation of employees decreased after the layoff. Additionally, twenty-nine (81%) noted that morale had worsened. For firefighters this sense of helplessness can evoke feelings of anger and frustration (Parker, 2000) further contributing to low morale.

Grunberg, Moore, and Greenberg (2003) also identified a modest increase in health problems. Seventeen (47%) survey respondents indicated their well being had worsened. While this can be a difficult correlation to make, it establishes a possible explanation for the increase in sick leave Hampton Fire Rescue experienced during the latter part of 2005. It may also be likely that the decrease in personnel reduced the operational safety of employees leading to an increase in injuries.

Brockner (1992) described how a policy of full employment adopted by companies such as IBM, Kodak, and AT&T ultimately eroded employees' loyalty. When these companies broke from their prescribed methods of reducing personnel through attrition, early retirement, and voluntary resignation incentives; layoffs violated the employees' belief about the organization's culture and was seen as inconsistent and unfair. The results of the questionnaire somewhat supported this finding. Twenty-two (61%) respondents felt the layoffs were not consistent with their organization's values. Research conducted by HR Focus (News Brief, 2002) was similar, 49% of their respondents found layoffs to be inconsistent with their organization's values. Surprisingly, only nine (25%) respondents felt the layoffs were not conducted fairly. This was likely due to the way in which many fire service organizations employ their firefighters. Collective bargaining agreements often refer to seniority when selecting employees for promotions, demotions, layoff, selection for overtime, vacation, and other benefits. In fact twenty-nine (81%) of the respondents indicated seniority was the method of selecting employees for layoff. Brockner (1992) found organizations that had relied on seniority were unlikely to break from this established method.

With one exception, seniority was the method employed by Hampton Fire Rescue. One employee was laid-off through elimination of a position. A Deputy Chief of Operations was eliminated; the employee was then offered a position in a lower rank of Captain. This was consistent with only a small number of respondents; five (14%) reported employees to be laid off were selected by job function. Tang and Fuller (1984) recommended spreading cuts among various levels of employees. Those employees remaining were more likely to see the cuts as fair if supervisors and management were included. Among the fifteen (100%) respondents believed to have been laid off, three (20%) were chief officers, one (7%) was a company officer, and eleven (73%) were firefighters.

Layoffs have also generated a significant distrust for the organizational leadership and municipal management. Restoration of programs seen to increase convenience for the citizens of Hampton were selected over restoration of public safety. Allegations of poor resource management and excess surplus of year end funds added to the cynicism expressed toward the leadership. Ultimately both labor and municipal management began to blame the organizational leadership for the layoffs. While research by HR Focus (News Briefs, 2002) found 71% of those surveyed blamed the company leadership for the layoff, only fourteen (39%) respondents to the survey shared this belief. The sense of divided loyalty generated by the conflict between their responsibility to the organization and their subordinates (Grunberg, Moore, & Greenberg, 2003) possibly contributed to the decrease in municipal management support of the organizational leadership.

Layoffs also increased the likelihood of employee turnover (Fogarty, 2000). Within two months of implementing layoffs, seven veteran members of Hampton Fire

Rescue retired. The finding of the survey was similar, seventeen (47%) of the respondents indicated an increase in employee turnover following layoffs. Consistent with Baugh and Soo Hoo (2002) this left Hampton Fire Rescue having lost considerable experience and institutional memory. Concerned for their own job security, many employees began to seek other employment (Jennings, 2003). Seventeen (47%) respondents not laid-off indicated they considered seeking employment with another organization. Despite not having any losses to another agency, many Hampton Fire Rescue employees had expressed an interest in seeking more stable employment.

While Hampton Fire Rescue had long been considered a desirable organization to be employed with, recent attempts to fill vacancies left by retiring employees proved to be quite challenging. Significantly fewer applicants than expected expressed interest in the positions. This was consistent with HR Focus (News Briefs, 2002) and Jennings (2003) earlier finding that an organization may find itself laboring to recruit new employees. Additionally, the results of the survey indicate many employees would not recommend employment with their organization to others after a layoff. Ultimately, what was hoped to be saved by reducing personnel would later result in an increased cost to recruit and train replacements (Matthews, 2002).

Several survey respondents reported a worsening in their family relationships and the financial impact layoffs had on them personally; however the majority 58% and 72% respectively, indicated that each of these remained stable. Co-worker relationships appeared to suffer the greatest impact. Seventeen (47%) reported a worsening of relationships with other employees following layoffs. The ensuing stress of layoffs was a

contributing factor affecting employee behavior and performance (Mahwhiney & Lewis, 1997) and frequently resulted in lower job satisfaction as evidenced by the survey results.

Comments by survey respondents indicated that very little was done by many of the organizations to reduce the effects of layoffs. In fact there was a significant inference of anger in many of the comments from the lack of such effort. Several respondents indicated litigation ensued as a result of an organization's inappropriate handling of layoffs. Similarly, Brockner (1992) and Baugh and Soo Hoo (2002) identified an increase in the probability of employees filing wrongful discharge suits. Presently several grievances and unfair labor practice allegations within Hampton Fire Rescue remain to be settled as a result of layoffs.

Parker (2000) and Boyle (2001) suggest clear, consistent communications with employees as a means to reduce the stress often accompanying a layoff. Twenty (56%) survey respondents indicated their organization's leadership had adequately explained the reasons for the layoffs. Among those, only one responded they felt the layoff was not conducted fairly. Brockner (1992) noted that a lack of communication left workers wondering if management could be trusted. Additionally, management should not adopt a "wait and see what happens" philosophy. Strong leadership is essential following a layoff. Without it employees may not understand how the direction of the organization has changed or what is expected of them (Reh, 2005).

Few other means to reduce the effect of layoffs were identified by the survey. Twelve (34%) respondents indicated some other position was offered to laid-off employees. One respondent referred to career assistance programs, unfortunately no details were provided. Several researchers suggested similar approaches including

severance benefits such as outplacement services, continuation of health care benefits, distribution of pension funds, and access to education or job training. Articulate Management (1996) recommended this training be available to both displaced and remaining employees. Organizations should carefully consider how or if they can offer these programs to alleviate some of the undesirable consequences of layoffs.

Recommendations

The results of this research project indicate the effects of personnel layoffs can be disastrous for an organization if not managed and implemented properly. Organizations would be well advised to select other cost saving methods prior to layoffs. Reduction of personnel through attrition, hiring and wage freezes, reduction of non-salary expenses, redesigning operations, and restricting overtime are recommended alternatives to layoffs.

If layoffs are selected as a means to reduce costs, managers must implement them carefully. It is suggested that continual communication and strong leadership be displayed following a layoff to minimize the collateral effect on remaining employees.

It is also recommended that an employment transition program be developed. Additionally this program should include:

1. Information regarding early retirement options.
2. Explanation of available options for transfers, bumping employees in lower classifications, downgrades, and placement within other municipal departments.
3. Recommendations for severance pay and explanation of tax implications.
4. Explanation of unemployment insurance.
5. Explanation of health care benefit options and costs.

6. Outplacement service to assist displaced employees find new employment.
7. Recall and Reinstatement procedures and rights.
8. Finally, the plan should include continued access to an Employee Assistance Program.

In conclusion, the implementation of these recommendations will require further review of the currently available benefits as well as compliance with present collective bargaining agreements. Also, most studies have been focused on the immediate effect of layoffs with little attention placed on the long-term effects. Future researchers should consider evaluating organizations affected by layoffs over a period of several years.

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Appendix A

Personal and Organizational Effect of Layoffs Survey

Please answer the following questions according to your position at the time layoffs occurred in your organization. You need not have been the employee being laid off to complete this survey.

Have you ever been employed by an organization that conducted layoff of employees?

36 (100%) Yes

0 (0%) No

0 (0%) *no answer*

If you have answered NO to the above question, do not continue, you are done with the survey. Thank You for your response!

What position did you hold at the time of the layoff?

8 (22%) Manager (Chief level Officer)

8 (22%) Supervisor (Company Officer)

19 (53%) Employee (Firefighter)

1 (3%) *no answer*

Were the reasons for layoffs adequately explained?

20 (56%) Yes

16 (44%) No

0 (0%) *no answer*

Were the layoffs done consistent with your organization's values?

14 (39%) Yes

22 (61%) No

0 (0%) *no answer*

How were the employees to be laid off selected?

0 (0%) Merit Based (how well they performed their job)

5 (14%) Job Function

29 (81%) Seniority

2 (6%) other:

0 (0%) *no answer*

Do you feel the layoffs were conducted fairly?

26 (72%) Yes

9 (25%) No

1 (3%) *no answer*

Were other positions made available to laid off employees?

- 24** (67%) No
- 5** (14%) Yes, in same department
- 5** (14%) Yes, in another city department
- 2** (6%) Yes, in another non-local department

Do you feel the organizational leadership was responsible for causing the layoff?

- 14** (39%) Yes
- 22** (61%) No
- 0** (0%) no answer

Please indicate your job satisfaction:

Before layoffs-

- 1** (3%) not very satisfied
- 9** (25%) somewhat satisfied
- 26** (72%) very satisfied
- 0** (0%) no answer

After layoffs-

- 16** (44%) not very satisfied
- 16** (44%) somewhat satisfied
- 4** (11%) very satisfied
- 0** (0%) no answer

If you were not among those laid off, have layoffs in your organization caused you to consider seeking employment with another organization?

- 10** (28%) I was laid off
- 17** (47%) Yes
- 8** (22%) No
- 1** (3%) no answer

With regard to turnover of department personnel, as a result of the layoff did it:

- 3** (8%) decrease
- 16** (44%) remain unchanged
- 17** (47%) increase
- 0** (0%) no answer

Would you recommend employment with your organization to others:

Before Layoffs-

- 35** (97%) Yes
- 0** (0%) No
- 1** (3%) no answer

After Layoffs-**14** (39%) Yes**21** (58%) No**1** (3%) *no answer*

How would you describe the organizational commitment of employees:

Before Layoffs-**4** (11%) not very committed**12** (33%) somewhat committed**20** (56%) very committed**0** (0%) *no answer***After Layoffs-****14** (39%) not very committed**16** (44%) somewhat committed**6** (17%) very committed**0** (0%) *no answer***How would you describe the effect on employee morale after the layoff?****29** (81%) worsened**5** (14%) remained unchanged**1** (3%) improved**1** (3%) *no answer***How would you describe employee productivity and participation after the layoff?****26** (72%) decreased**10** (28%) remained unchanged**0** (0%) increased**0** (0%) *no answer*

Please describe how the layoff affected you personally:

Financially-**13** (36%) worsened**21** (58%) remained stable**0** (0%) improved**2** (6%) *no answer***Family relationships-****6** (17%) worsened**26** (72%) remained stable**2** (6%) improved**2** (6%) *no answer*

Co-worker relationships-

- 17 (47%) worsened
- 17 (47%) remained stable
- 1 (3%) improved
- 1 (3%) *no answer*

Personal wellbeing-

- 17 (47%) worsened
- 18 (50%) remained stable
- 0 (0%) improved
- 1 (3%) *no answer*

Please describe any efforts taken by your organization to lessen the impact of these layoffs.

21 responses

Please describe any long-term effects you have observed.

21 responses

Have you returned to work?

- 20 (56%) Does not apply, I was not laid off
- 2 (6%) No
- 8 (22%) Yes, same position
- 1 (3%) Yes, different position, same organization
- 4 (11%) Yes, different position, different organization
- 1 (3%) *no answer*

Would you return to your organization if a position were offered?

- 20 (56%) Does not apply, I was not laid off
- 6 (17%) No
- 7 (19%) Yes, same position
- 1 (3%) Yes, any position
- 2 (6%) *no answer*

The information you have provided will remain confidential. No identifying information will accompany the reported results of this survey.

Appendix B

Questionnaire Instructions

**National Fire Academy
Executive Fire Officer Program
Executive Leadership
Applied Research Project**

Personal and Organizational Effect of Layoffs Survey

Thank you for taking time to help Hampton Fire Rescue collect information about the effects of employee layoffs. We are interested in your personal and organizational experience with regard to the impact of layoffs.

The purpose of this survey is to provide research information to determine how Hampton Fire Rescue and the Town of Hampton can help limit, prepare for, and minimize the effect of personnel layoffs.

How do I answer the questions?

Once you have completed reading the instructions on this page, you may follow the link at the bottom to begin the survey. It is conducted entirely on-line and should only take a few moments of your time. We have tried to keep the questions broad enough so that you may answer in a way that best represents your organization. If you need any clarification on questions or are unsure of how to answer, feel free to contact Deputy Chief Chris Silver at 603-926-3316 or by e-mail at csilver@town.hampton.nh.us.

Who will see my answers?

The staff of Hampton Fire Rescue will tabulate, analyze and arrange the information into preliminary reports. Final reports provided in the Applied Research Paper will have identifying information removed.

Will I get a copy of the results?

Anyone who completes the survey may request a copy of the raw data without identifying information. It will be provided in Excel format. Additionally, a copy of the final report may be requested once it has been submitted and graded by the National Fire Academy.

How do I submit my answers?

Click on the following link to begin completing the survey. When you have finished entering your answers click on the submit button. Your answers will automatically be added to the database.

***** **CLICK HERE** *****

<http://hamptonnh.gov:8080/survey/entry.jsp?id=1136658495481>

Survey Server will not be available on Fridays, from 1500 to 1700 hours EST.

Appendix C

Questionnaire Comments

Please describe any efforts taken by your organization to lessen the impact of these layoffs.

#2: 2006-01-07 16:46:58

Layoff was due to fired employee suing & winning job back. Org. tried to find me another position within city gov't but didn't make that known until all attempts failed

#3: 2006-01-07 17:18:02

None

#4: 2006-01-07 17:25:11

The town (employer) did nothing. The fire chief redeployed our forces to help lessen the increased safety risk to firefighters. The local union paid for laid off employee's health insurance & offered other financial assistance as needed.

#5: 2006-01-07 17:37:09

The manner/number in which personnel were deployed to incidents.

#7: 2006-01-08 13:33:40

i was told that there was some work being done, on the down low so to speak. however, i never saw anything such as protesting, public awareness, etc.

#11: 2006-01-09 10:50:52

Our organization gave us a letter that indicated that the time we were laid off, would count toward our overall seniority. This was important because seniority was used for promotional opportunities.

#12: 2006-01-09 11:12:12

The head of our organization should have never offered up the jobs, believing that the town may have though he was bluffing.

#13: 2006-01-09 12:26:31

There was none. If was a federal government contract with a private fire agency. Very little regard given to the employee and the Fire Chief made the decisions as he was directed by the federal contractor.

#14: 2006-01-09 13:44:59

None!!!!!!!

#15: 2006-01-09 14:43:50

We fought for more funding and it took ten years or more to get the positions back

#17: 2006-01-10 16:09:34

Career assistance programs

#18: 2006-01-10 18:49:06

Effort by members to try to keep spirits up. Trying to remind members who the enemy is. The Town.

#19: 2006-01-11 06:52:10

1 or 2 people eligible for retirement took retirement to open slots for members being laid off. Some members were allowed to take a fire alarm operator position.

#20: 2006-01-11 15:51:27

I was laid off due contract language agreed upon two years prior. Within two months of my layoff a chief officer took a position in another jurisdiction allowing advancement from within and my return to work.

#21: 2006-01-12 13:53:22

None

#22: 2006-01-12 15:01:29

None

#23: 2006-01-12 15:02:32

None

#25: 2006-01-12 17:28:24

I had been forewarned. I was assured of being re-hired by the department after matters stabilized.

#27: 2006-01-12 20:25:04

we layed off by attrition. we gave back wage/benefit concessions to save jobs and never got the jobs back or the pay and benefits back.

#29: 2006-01-12 21:35:11

none

#34: 2006-01-15 13:36:03

none were taken. In fact I had to take the City to court to receive benefits owed. (vacation, EMT stipend etc.) I won in court with the City having to pay benefits owed and court costs. Judge criticized City with "Does the City of XXXXXXXXXX treat all it's employees this poorly?"

Please describe any long-term effects you have observed.

#2: 2006-01-07 16:46:58

instability of budget made for low morale/insecurity amongst employees every spring

#3: 2006-01-07 17:18:02

Always wondering when this was going to happen to me again.

#4: 2006-01-07 17:25:11

Now (9 months post layoff) morale is at a 10-plus year low. Injury & sick leave use are up. All firefighters (except 1) who were eligible to retire did so, thus creating a vacuum of experience, leadership and institutional memory.

#5: 2006-01-07 17:37:09

It solidified the employees view that the Town considers them a necessary evil instead of a valuable part of the community and the services that it provides. Also a tremendous loss of experienced members. (Above when you use term organization I take that to mean the FD, not the Town.)

#7: 2006-01-08 13:33:40

morale has gone down. talk of people leaving for employment that might be more stable. fears of more layoffs. fears of remaining understaffed and the consequences of such. loss of those who retired to try and save some positions; loss of their knowledge and leadership.

#11: 2006-01-09 10:50:52

Being that I will be able to retire within six months, the six months that I was laid off does not count toward my retirement. I was hoping to at least buy the time in which I was laid off, for this time to count toward my retirement. ((I was laid off for six months in 1980)

#12: 2006-01-09 11:12:12

Some employees are still talking about it and fear that their jobs may be in jeopardy again.

#13: 2006-01-09 12:26:31

This was a federally funded fire agency. Layoffs occurred as a result of downsizing and eventually closing the facility. I voluntarily resigned prior to closure and accepted a position in another agency. I was not affected by the layoff but as Operations Chief it was my duty to inform those laid off. This was one of the worst weeks of my 35 years in the fire service.

#14: 2006-01-09 13:44:59

All operational issues are either not done, delayed, forgotten about until the last minute. General department communication is as bad as it ever was. No leadership in department being shown. A lot of passing the buck, no responsibility being taken. Poor management!! Circling the bowl just waiting for the final flush!!

#15: 2006-01-09 14:43:50

We have a hard time getting additional positions because it took us so long to get back the laid off positions hired again

#16: 2006-01-09 22:33:09

The layoffs have become a big part of our long term institutional and cultural memories and still impact decisions made by personnel today. A lack of trust with the municipal government still exists and it has impacted productivity for many years.

#18: 2006-01-10 18:49:06

Decrease in morale. Decrease in productivity. Anger.

#19: 2006-01-11 06:52:10

There is residual anger among those laid off, then rehired and those demoted and then re-promoted. There is a level of distrust among those members who lived through the layoffs towards management, especially municipal management.

#20: 2006-01-11 15:51:27

None

#21: 2006-01-12 13:53:22

people have said and done things that they normally would not have done under normal conditions which has fractured relations that may never be repaired. we also

lost alot of years of experience with many senior people leaving. this could be the most devistating to the future of the organization because we have lost the leadership that the younger generation could turn to for guidance, it will be a long recovery to gain this back and we never get it all back.

#22: 2006-01-12 15:01:29

The Department I worked for has had further job reductions. I have worked for my current Department for 11 years and I would have not chosen to return to my previous Department.

#23: 2006-01-12 15:02:32

trust of City administration and department leadership has hit an all time low.

#25: 2006-01-12 17:28:24

N/A

#27: 2006-01-12 20:25:04

loss of manpower has reduced the effectiveness/efficiency of the fire dept.

#29: 2006-01-12 21:35:11

decrease in moral in department and much less productive.

#34: 2006-01-15 13:36:03

When laid off employees eventually return they hold a lifelong grudge and have no desire to work to better the organization that screwed them earlier.